UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

X Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 1998

--- Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

Commission File Number 0-4604

CINCINNATI FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

An Ohio Corporation	31-0746871
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6200 South Gilmore Road
Fairfield, Ohio 45014-5141

(Address of principal executive offices)

Registrant's telephone number, including area code: 513/870-2000

* Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X . NO .

Securities registered pursuant to Section 12(g) of the Act:

$2.00 Par Common--167,170,440 shares outstanding at June 30, 1998

(Shares outstanding reflect the effects of a 3-for-1 stock split effective to shareholders of record on April 24, 1998.)

$52,849,000 of 5.5% Convertible Senior Debentures Due 2002

$419,594,000 of 6.9% Senior Debentures Due 2028

PART I

ITEM 1. FINANCIAL STATEMENTS

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 1998	December 31, 1997
	(000's omitted)	
ASSETS		
Investments		
Fixed maturities (cost: 1998--$2,616,085; 1997--$2,571,549)	$ 2,795,411	$ 2,751,219
Equity securities (cost: 1998--$1,837,781; 1997--$1,725,855)	6,798,396	5,999,271
Other invested assets	50,277	46,560
Cash	144,327	80,168
Investment income receivable	75,511	74,520
Finance receivables	32,405	31,715
Premiums receivable	172,931	158,539
Reinsurance receivable	128,098	109,110
Prepaid reinsurance premiums	25,048	23,612
Deferred acquisition costs pertaining to unearned premiums and to life policies in force	137,549	135,313
Land, buildings and equipment for Company use (at cost less accumulated depreciation)	55,481	52,559
Other assets	68,613	30,839
Total assets	$ 10,484,047	$ 9,493,425
LIABILITIES		
Insurance reserves:		
Losses and loss expenses	$ 2,026,745	$ 1,936,534
Life policy reserves	509,973	482,447
Unearned premiums	448,356	443,054
Notes payable	1,406	280,558
6.9% senior debentures due 2028	419,594	0
5.5% convertible senior debentures due 2002	52,849	58,430
Federal income taxes		
Current	1,653	24,335
Deferred	1,648,285	1,406,478
Other liabilities	107,103	144,624
Total liabilities	5,215,964	4,776,460
SHAREHOLDERS' EQUITY		
Common stock, $2 per share; authorized 200,000 shares; issued 1998--170,219; 1997--169,391 shares; outstanding 1998--167,170; 1997--166,356 shares	340,438	338,782
Paid-in capital	215,078	203,282
Retained earnings	1,433,552	1,341,730
Accumulated other comprehensive income	3,352,211	2,905,756
	5,341,279	4,789,550
Less treasury shares at cost (1998--3,049 shares; 1997--3,035 shares)	(73,196)	(72,585)
Total shareholders' equity	5,268,083	4,716,965
Total liabilities and shareholders' equity	$ 10,484,047	$ 9,493,425

Common Stock, Paid-In-Capital and Share figures reflect the effects of a 3-for-1 stock split effective to shareholders of record on April 24, 1998.

Accompanying notes are an integral part of these financial statements.

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(000's omitted except per share data)

	Six Months Ended June 30,		Three Months Ended June 30,	
REVENUES	1998	1997	1998	1997
Premiums earned:				
Property and casualty	$ 758,459	$ 716,984	$ 380,059	$ 359,484
Life	30,397	27,437	16,269	13,904
Accident and health	4,135	3,954	2,072	2,004
Net premiums earned	792,991	748,375	398,400	375,392
Investment income, less expenses	181,386	170,921	91,086	86,690
Realized gain on investments	52,763	44,291	27,121	19,988
Other income	3,991	4,352	1,971	2,132
Total revenues	1,031,131	967,939	518,578	484,202
BENEFITS & EXPENSES				
Insurance losses and policyholder benefits	591,339	525,690	321,208	259,192
Commissions	138,050	140,879	67,839	73,436
Other operating expenses	73,532	67,165	37,411	34,030
Taxes, licenses & fees	25,837	24,954	13,016	12,972
Increase in deferred acquisition costs pertaining to unearned premiums and to life policies in force	(2,236)	(2,413)	(2,245)	(2,240)
Interest expense	11,482	9,778	6,143	4,742
Other expenses	3,881	3,267	2,292	1,729
Total benefits & expenses	841,885	769,320	445,664	383,861
INCOME BEFORE INCOME TAXES	189,246	198,619	72,914	100,341
PROVISION FOR INCOME TAXES				
Current	44,810	45,946	12,883	25,710
Deferred	1,408	2,796	1,181	(1,199)
Total provision for income taxes	46,218	48,742	14,064	24,511
NET INCOME	$ 143,028	$ 149,877	$ 58,850	$ 75,830
Average shares outstanding	166,768	166,081	166,933	165,730
Average shares outstanding (diluted)	172,272	172,548	172,384	172,363
PER COMMON SHARE				
Net income	$ .86	$ .90	$ .35	$ .46
Net income (diluted)	$ .84	$ .88	$ .35	$ .45
Cash dividends declared	$ .31	$ .27	$ .15	$ .14

Per share amounts reflect the effects of a 3-for-1 stock split effective to shareholders of record on April 24, 1998.

Accompanying notes are an integral part of these financial statements.

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE I - ACCOUNTING POLICIES

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, each of which is wholly owned, and are presented in conformity with generally accepted accounting principles. All significant inter-company investments and transactions have been eliminated in consolidation. The December 31, 1997 consolidated balance sheet amounts are derived from the audited financial statements but do not include all disclosures required by generally accepted accounting principles.

INVESTMENTS--Fixed maturities and equity securities have been classified as available for sale and are carried at fair values at June 30, 1998 and December 31, 1997.

UNREALIZED GAINS AND LOSSES (000's omitted)--The increases (decreases) in unrealized gains for fixed maturities and equity securities (net of income tax effect) for the six-month and three-month periods ended June 30 are as follows:

	Fixed Maturities	Equity Securities	Total
Six-Month Periods Ended			
June 30, 1998	$ (224)	$ 446,679	$ 446,455
June 30, 1997	$ 7,525	$ 507,013	$ 514,538
Three-Month Periods Ended			
June 30, 1998	$ 902	$ 162,156	$ 163,058
June 30, 1997	$ 24,409	$ 248,758	$ 273,167

Such amounts are included as additions to and deductions from shareholders' equity.

REINSURANCE (000's omitted)--Premiums earned are net of premiums on ceded business, and insurance losses and policyholder benefits are net of reinsurance recoveries in the accompanying statements of income for the six-month and three-month periods ended June 30 as follows:

	Ceded Premiums	Reinsurance Recoveries
Six-Month Periods Ended		
June 30, 1998	$ 48,980	$ 35,252
June 30, 1997	$ 48,593	$ 13,314
Three-Month Periods Ended		
June 30, 1998	$ 24,926	$ 23,298
June 30, 1997	$ 24,388	$ 304

NOTE II - STOCK OPTIONS

The Company has primarily qualified stock option plans under which options are granted to employees of the Company at prices which are not less than market price at the date of grant and which are exercisable over ten-year periods. On June 30, 1998, outstanding options for Stock Option Plan No. III totalled 49,614 shares with a purchase price of $7.34, outstanding options for Stock Plan No. IV totalled 2,688,456 shares with purchase prices ranging from a low of $7.46 to a high of $42.88 and outstanding options for Stock Plan V totalled 1,393,905 shares with purchase prices ranging from a low of $20.48 to a high of $45.38. These amounts reflect the effects of a 3-for-1 stock split effective to shareholders of record on April 24, 1998.

NOTE III - INTERIM ADJUSTMENTS

The preceding summary of financial information for Cincinnati Financial Corporation and consolidated subsidiaries is unaudited, but the Company believes that all adjustments (consisting only of normal recurring accruals) necessary for fair presentation have been made. The results of operations for this interim period is not necessarily an indication of results to be expected for the remaining six months of the year.

NOTE IV - FINANCIAL ACCOUNTING PRONOUNCEMENTS

SEGMENT INFORMATION--SFAS No. 131 "Disclosures About Segments of an Enterprise and Related Information" is effective for the Company in 1998 and will require additional disclosures for the Company's operating segments in the annual consolidated financial statement. Beginning in 1999, certain segment information is required to be reported quarterly.

NOTE V - COMPREHENSIVE INCOME

In the first half of 1998, the Company experienced less unrealized gains in equity securities than in the first half of 1997, resulting in comprehensive income of $589,483 in 1998, compared to $664,415 in 1997 and second quarter 1998 comprehensive income of $221,908 compared to $348,997 in second quarter of 1997.

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)

(000's omitted)

SIX MONTHS ENDED JUNE 30, 1997 AND 1998

	Common Shares	Stock Amount	Treasury Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Bal. Dec. 31, 1996	167,486	$334,972	$ (11,217)	$ 178,547	$1,132,880	$ 1,527,707	$3,162,889
Net income					149,877		149,877
Change in unreal. gains net of inc. taxes of $277,059						514,538	514,538
Comprehensive income							664,415
Div. declared					(45,297)		(45,297)
Purchase/issuance of treasury shares			(43,515)	20			(43,495)
Stock options exercised	53	106		2,031			2,137
Conversion of debentures	16	32		688			720
Bal. June 30, 1997	167,555	$335,110	$ (54,732)	$ 181,286	$ 1,237,460	$ 2,042,245	$3,741,369
Bal. Dec. 31, 1997	169,391	$338,782	$ (72,585)	$ 203,282	$ 1,341,730	$ 2,905,756	$4,716,965
Net income					143,028		143,028
Change in unreal. gains net of inc. taxes of $240,399						446,455	446,455
Comprehensive income							589,483
Div. declared					(51,206)		(51,206)
Purchase/issuance of treasury shares			(611)	19			(592)
Stock options exercised	453	906		6,946			7,852
Conversion of debentures	375	750		4,831			5,581
Bal. June 30, 1998	170,219	$ 340,438	$ (73,196)	$ 215,078	$ 1,433,552	$ 3,352,211	$5,268,083

Common Stock, Paid-In-Capital and Share figures reflect the effects of a 3-for-1 stock split effective to shareholders of record on April 24, 1998.

Accompanying notes are an integral part of these financial statements.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Premiums earned for the six months ended June 30, 1998 have increased $44,616 (6%) over the six months ended June 30, 1997. Also, premiums earned have increased $23,008 (6%) for the three months ended June 30, 1998 over the three months ended June 30, 1997. For the six-month and three-month periods ended June 30, 1997, the growth rate of our property and casualty subsidiaries is less than last year on both a gross written and earned premium basis. These growth rates were less than last year because the increases in new business and some rate increases on personal lines business were offset by the continued softness of the commercial lines market and by lower premiums on workers' compensation coverages. The premium growth of our life and health subsidiary has increased 10% for the six months ended June 30, 1998 and 15% for the three months ended June 30, 1998 compared to the comparable periods of 1997. The premium growth in our life subsidiary is mainly attributable to increased sales of both traditional and interest-sensitive products. For the six-month and three-month periods ended June 30, 1998, investment income, net of expenses, has increased $10,465 (6%) and $4,396 (5%) when compared with the first six months and second three months of 1997, respectively. This increase is the result of the growth of the investment portfolio because of investing cash flows from operations and dividend increases from equity securities.

Realized gains on investments for the six months ended June 30, 1998 amounted to $52,763 compared to $44,291 for the six-month period ended June 30, 1997, and $27,121 for the three-month period ended June 30, 1998 compared to $19,988 for the three-month period ended June 30, 1997. The realized gains are predominantly the result of the sale of equity securities and management's decision to realize the gains and reinvest the proceeds at higher yields.

Insurance losses and policyholder benefits (net of reinsurance recoveries) increased $65,649 (12%) for the first six months of 1998 over the same period in 1997 and increased $62,016 for the second quarter when compared to the second quarter of 1997. The losses and benefits of the property and casualty companies have increased $64,655 for the six-month period and increased $61,897 for the second quarter of 1998 compared to the comparable periods for 1997. The property and casualty losses for the first six months and for the second quarter of 1998 have increased because of the increase in catastrophic losses. Catastrophe losses were $57,289 and $14,485, respectively, for the first six months of 1998 and 1997 and were $54,226 and $8,723, respectively, for the second quarter of 1998 and 1997. These losses were substantially higher for the first six months and second quarter of 1998 compared to the comparable periods of 1997 because of higher incidence and severity of these weather-related claims. Policyholder benefits of the life insurance subsidiary increased $994 for the first six months of 1998 over the same period of 1997 and increased $119 for the second quarter when compared to the second quarter of 1996. The majority of the six-month and second quarter increase is the result of a higher incidence of death claims and life related costs.

Commission expenses decreased $2,829 for the six-month period ended June 30, 1998 compared to the same period of 1997 and decreased $5,597 for the second quarter of 1998 compared to the same period in 1997. The increase is attributable to lower contingency commissions. Other operating expenses increased $6,367 for the six-month period ended June 30, 1998 compared to the same period for 1997 and increased $3,381 for the second quarter of 1998 compared to the same period in 1997. The increase is attributable to increases in staff and costs associated to our investment in infrastructure to support future growth. Interest expenses increased $1,704 for the six-month period ended June 30, 1998 compared to the same period for 1997 and increased $1,401 for the second quarter of 1998 compared to the same period in 1997. The increase is attributable to a higher interest rate of the 30-year senior debentures compared to the short-term debt, and an increase in debt of $139,900 in the second quarter.

Provision for income taxes, current and deferred, have decreased by $2,524 for the first six months of 1998 compared to the first six months of 1997 and have decreased $10,447 for the second quarter of 1998 compared to the second quarter of 1997. The decrease in federal taxes is attributable to lower income before income taxes and a decrease in the effective tax rate to 24.4% from 24.5% at June 30, 1998 and 1997, respectively, and a decrease in the effective tax rate to 19.3% from 24.4% for the second quarter of 1998 and 1997, respectively.

The Company issued $419,594 of 30-year, noncallable senior debentures. Proceeds were used to pay off $279,694 of short-term debt as it matures and for future general corporate purposes, including the expansion of the Company's headquarters.

The Company believes that Year 2000 compliance issues have been initiated for all of the computer systems. The property and casualty companies issue many three- and five-year policies. Therefore, many systems are already Year 2000 compliant. Most other programs will be compliant by year-end in 1998, with the balance completed by June 1999. Management believes this goal will be attained. CFC's largest risk lies with Year 2000 compliance by its independent agencies, which handle most of the customer billing and collections. CFC is proactively contacting all agents regarding this issue and is monitoring each agency's actions closely.

The Company could incur losses due to adverse changes in market rates and prices. The Company's primary market risk exposures are to changes in price for equity securities and changes in interest rates and credit ratings for fixed maturity securities. The Company could alter the existing investment portfolios or change the character of future investments to manage exposure to market risk. CFC, with the Board of Directors, administers and oversees investment risk through the Investment Committee, which provides executive oversight of investment activities. The Company has specific investment guidelines and policies that define the overall framework used daily by investment portfolio managers to limit the Company's exposure to market risk.

On November 22, 1996, the Board authorized repurchase of up to three million of the Company's outstanding shares. As of June 30, 1998 the Company has repurchased 949 shares, before the 1998 three-for-one split, and plans to repurchase the remaining 2,051 shares as management deems appropriate, over an unspecified period of time.

PART II
OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is involved in no material litigation other than routine litigation incident to the nature of the insurance industry.

ITEM 2. Changes in Securities

There have been no material changes in securities during the second quarter.

ITEM 3. Defaults Upon Senior Securities

The Company has not defaulted on any interest or principal payment, and no arrearage in the payment of dividends has occurred.

ITEM 4. Submission of Matters to a Vote of Security Holders

On April 4, 1998, the registrant held its Annual Meeting of Stockholders for which the Board of Directors solicited proxies; all nominees named in the Registrant's Proxy Statement were elected. A proposal to amend the Corporation's Article of Incorporation to increase authorized shares of common stock to 200,000,000 shares was approved.

	Shares	
	For	Against/Abstain
Michael Brown	46,912,295	271,663
John E. Field	46,976,141	207,817
William R. Johnson	47,004,406	179,552
Robert C. Schiff	46,966,351	217,607
Alan R. Weiler	46,974,762	209,196
John J. Schiff	46,940,355	243,603
Authorization of 200,000,000 shares:	46,570,034	613,924

(a) Exhibits included:

Exhibit 11--Statement re Computation of Per Share Earnings.
Exhibit 27--Financial Data Schedule

(b) The Company was not required to file any reports on Form 8-K during the quarter ended June 30, 1998.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CINCINNATI FINANCIAL CORPORATION
(Registrant)

Date August 7, 1998

By /s/ T.F. Elchynski
T.F. Elchynski
Senior Vice President and Chief
Financial Officer
(Principal Financial Officer)

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(000's omitted)

	Six Months Ended June 30, 1998	1997
Cash flows from operating activities:		
Net income	$ 143,028	$ 149,877
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,285	4,848
Increase in investment income receivable	(991)	(3,312)
Increase in premiums receivable	(14,392)	(1,327)
(Increase) decrease in reinsurance receivable	(18,988)	17,033
Increase in prepaid reinsurance premiums	(1,436)	(302)
Increase in deferred acquisition costs	(2,236)	(2,413)
(Increase) decrease in accounts receivable	(274)	536
(Increase) decrease in other assets	(23,136)	19,203
Increase in loss and loss expense reserves	90,211	23,582
Increase in life policy reserves	27,526	21,447
Increase in unearned premiums	5,302	3,021
(Decrease) increase in other liabilities	(40,458)	7,941
(Increase) decrease in deferred income taxes	1,408	(4,219)
Realized gains on investments	(52,763)	(44,291)
(Decrease) increase in current income taxes	(22,682)	12,473
Other	(13,876)	341
Net cash provided by operating activities	81,528	204,438
Cash flows from investing activities:		
Sale of fixed maturities	26,302	70,669
Call or maturity of fixed maturities investments	175,833	194,744
Sale of equity securities investments	181,342	160,387
Collection of finance receivables	7,180	5,648
Purchase of fixed maturities investments	(242,643)	(352,120)
Purchase of equity securities investments	(243,355)	(189,995)
Investment in land, buildings and equipment	(9,737)	(7,280)
Investment in finance receivables	(7,870)	(9,228)
Investment in other invested assets	(3,850)	(1,521)
Net cash used in investing activities	(116,798)	(128,696)
Cash flows from financing activities:		
Debenture issue	419,594	-0-
Proceeds from stock options exercised	7,852	2,137
Purchase/Issuance of treasury shares	(592)	(43,495)
(Decrease) increase in notes payable	(279,152)	12,393
Payment of cash dividends to shareholders	(48,273)	(43,273)
Net cash used in financial activities	99,429	(72,238)
Net decrease in cash	64,159	3,504
Cash at beginning of period	80,168	59,933
Cash at end of period	$ 144,327	$ 63,437
Supplemental disclosures of cash flow information		
Interest paid	$ 23,119	$ 10,474
Income taxes paid	$ 65,301	$ 40,488

Accompanying notes are an integral part of these financial statements.

EXHIBIT 11
CINCINNATI FINANCIAL CORPORATION
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
(000's omitted except per share data)

	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997	Three Months Ended June 30, 1998	Three Months Ended June 30, 1997
Basic earnings per share:				
Net income	$ 143,028	$ 149,877	$ 58,850	$ 75,830
Average shares outstanding	166,768	166,081	166,933	165,730
Net income per common share	$ .86	$ .90	$ .35	$ .46
Diluted earnings per share:				
Net income	$ 143,028	$ 49,877	$ 58,850	$ 75,830
Interest on convertible debentures--net of tax	981	1,421	484	708
Net income for per share calculation (diluted)	$ 144,009	$ 151,298	$ 59,334	$ 76,538
Average shares outstanding	166,768	166,081	166,933	165,730
Effective of dilutive securities:				
5.5% convertible senior debentures	3,553	5,319	3,553	5,319
Stock options	1,951	1,148	1,898	1,314
Total dilutive shares	172,272	172,548	172,384	172,363
Net income per common share--diluted	$ .84	$ .88	$ .35	$ .45

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF INCOME AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
2,795,411
0
0
6,798,396
10,944
4,566
9,644,084
144,327
1,599
137,549
10,484,047
2,493,833
448,356
39,253
16,827
473,849
0
0
340,438
4,927,645
10,484,047
792,991
181,386
52,763
3,991
591,339
165,756
84,790
189,246
46,218
143,028
0
0
0
143,028
.86
.84
1,776,648
0
0
0
0
1,846,001
0

Equals the sum of Fixed Maturities, Equity Securities and other Invested Assets

Equals the sum of Life Policy Reserves and Losses and Loss Expenses less the Life Company liability for Supplementary Contracts without Life Contingencies of $3,632 which is classified as Other Policyholder Funds

Equals the sum of Notes Payable, the 5.5% Convertible Senior Debenture and the 6.9% Senior Debenture

Equals the Total Shareholders' Equity

Equals the Sum of Commissions, Other Operating Expenses, Taxes and licenses and Fees, Increase in deferred acquisition costs, Interest expense and other expenses

Equals the net reserve for unpaid claims for the property casualty subsidiaries less loss checks payable as of December 31, 1997

Equals the net reserve for unpaid claims for the property casualty subsidiaries less loss checks payable as of June 30, 1998